

4 June 71

The Director

GACarver, Jr.

Attached is a copy of a frank and informative speech made on 15 April by Economy Minister Nogu. He is a very able London-trained banker and an old personal friend.

George A. Carver, Jr.
Special Assistant for Vietnamese Affairs

Attachment

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See below

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**The attached text of a speech by
Economy Minister Ngoc may be of
interest. It was passed out at the
4 June Sullivan Committee meeting.**

**George A. Carver, Jr.
Special Assistant for Vietnamese Affairs**

Attachment

Distribution:



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MINISTER OF ECONOMY PHAM KIM NGOC'S SPEECH DELIVERED AT
THE AMERICAN CHAMBER OF COMMERCE ON APRIL 15, 1971

Mr. President,
Gentlemen,

I ask your permission to address this Chamber so that I could talk with you about your problems in dealing with my Government. It is no secret that there are problems. My reason for coming here is not simply to tell you what I think about them, but to hear what you think, so that we can get the difficulties into the open, and see what needs to be done.

Therefore, I propose, Mr. President, that we conduct this meeting as an open forum. I would like to make an opening statement, then I would like to hear what others have to say, and I may have occasion to reply to some of the points made.

First, I would like to state my impression of the problems you have. This is what I have heard from you over the last year or so. At any rate, it is what has impressed me most:

-- You cannot obtain, from GVN offices, quick answer and quick action; often there are long delays.

-- GVN procedures are excessively complex, and encumbered with red tape. Sometimes, even after you have complied with all those procedures required in a particular case, the expected result is not forthcoming.

-- You are sometimes unable to determine who within the GVN is responsible for a particular decision.

-- From time to time you are asked for bribes by GVN officials, for performance of actions which are perfectly legal and normal. Even if you follow this course, moreover, you are not sure where you stand.

-- Vietnamese law does not always give you prompt and efficacious protection, and recourse to a court of law appears fruitless.

-- Action by the GVN often takes the form of an arbitrary decree, contrary to the Anglo-Saxon procedures with which you are familiar.

-- Sometimes you are exposed to discriminatory action and hostility on the part of Vietnamese officials, for no apparent reason other than your foreign nationality.

Those are the charges. When I have finished speaking, I will ask you if I have stated them accurately. For the moment, let me assume that I have interpreted your complaints correctly. I will also assume there is a substantial amount of truth to them. Many incidents have crossed my own desk as Minister, and before becoming Minister I saw some of those things from your own point of view, as a businessman. I did not come here to tell you these things do not happen.

It is important to see the whole problem against its background. You are doing business in Southeast Asia, in a country that has been independent for only 25 years, and in the middle of a long and very bitter war. Let me take each element of this background separately.

First, this is Southeast Asia. Those who have operated businesses in other countries of the region know very well that many of your problems here are not peculiar to Vietnam. Governmental inefficiency and corruption are present in every country in this region. Some are better than others, but I believe that in some of these countries, conditions are hardly any better than they are in Vietnam. The poverty of the whole region, a history of colonialism, war and intrigue, have marked all these countries, leaving them with inadequate legal and administrative institutions, and without a strong tradition of honesty and fair practice, either on the part of the civil servants or the businessmen themselves.

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Second, Vietnam is, for all intents and purposes, a new country. Although we have a long history as a people, we have had only 26 years of independence. In the modern era, I do not wish to blame our shortcomings on the French. But consider that we had, in 1954, no uniform legal code, no Central Bank, no tax administration. All this and much else we had to salvage from the colonial administration or create new. Some of what we inherited from the colonial administration, moreover, was already shot through with malpractice. Even if we had had 26 years of peace in which to do this, it would be remarkable if all these institutions and structures had created and were functioning in good order.

Third, there is the matter of the war itself, and what this has done to us. Consider:

a) More than one million men are in the Armed Forces from a population of 18 million. In the U.S., you would have to have forces of more than eleven million to be in this proportion.

Among other things, this means that I, as a Minister, have to get along with the staff that I have. You tell me that Mr. So-and-So is too old, or not well enough educated, or dishonest, so I should fire him. You will want me to replace him with a fine, intelligent young man, right? Well, that young man is abroad, or he is a Captain on the General Staff, or he is in Laos, or too often, he is dead. So Mr. So-and-So will have to do. That is the way it is in every Ministry and in every agency of this government.

b) The income of GVN employees has fallen in real purchasing power, by something like 75 percent during the last five years. This means that the typical official of a GVN agency cannot live and support his family on his government salary. In many cases, he is able to survive because he works in a second job, or because other members of his family work. In other cases he survives by taking bribes.

We cannot handle the problem of corruption by picking out those who are corrupt and punish them. Police methods are of no use in this situation, because the problem is widespread, and because the small fry, who are most apt to be caught, literally, cannot help being corrupt. Thus, this kind of corruption is deeply rooted in the present circumstances of the country.

c) The war must be blamed, too, for a large part of the confusion, the fluidity of priorities, and the delays which haunt all businessmen here. I think I do not have to explain. Fighting a war means constantly changing gears in response to the enemy's attacks and our own successes and failures. Everything else becomes of lower priority, and the interests of businessmen are often brushed aside as the struggle goes back and forth.

d) The war has brought some other ailments to our society. It has led to a general decline in the standards of conduct of Vietnamese toward each other as well as to foreigners. The general discipline of behavior has weakened. People's courtesy in all activity has roughened. I think this probably happens in all wars, especially when they are prolonged and bitter. Also, the inevitable element of political uncertainty created by the war probably makes people more venal, more determined to hang onto their slice of the pie than would be the case in peace time.

e) A particularly distressing problem is created by the major income redistribution caused by the build-up in 1965 and subsequent price inflation. Some profited, some lost. Severe stresses and strains, with their attendant evils, were unavoidable and continue to plague us.

f) Finally, I suppose the war, and the presence of large numbers of foreign troops, may have led to some degree of xenophobia, a general distrust of foreigners. I would not be prepared to admit, as some say, that this is native to the Vietnamese temperament. When one considers the size and pervasiveness of the foreign presence here, it is perhaps surprising this problem isn't worse.

I do not mean to say the war excuses or even explains all our problems and shortcomings, but it is a crucial factor. You all know that during the 2nd World War, even in the United States, which knew no fighting on its own soil, there were war profiteers and a thriving black market in scarce or rationed items.

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But let us not try to rationalize away our difficulties, which are real and very serious. And let us not pretend there will be a rush of foreign investors here until the situation improves.

We know we must have foreign investment in order to develop our economy and sustain a decent standard of living for our people. And we know we must compete with other countries for that investment, countries that offer more than we are able to at this time. We know, therefore, that we must improve the investment climate. We must create a state of mind and atmosphere more conducive to commerce and industry.

We must put an end to governmental arbitrariness and evasiveness. We must do away with government by communiqué and administrative fiat. Let us admit it. Our administration has become Balkanized and feudal. Power and authority have become fragmented and diffuse. In such a situation, corruption inevitably thrives.

Gentlemen, it may be that it will take a complete restructuring of the bureaucracy, an administrative revolution, to break out of the present impasse. If so, I believe such a restructuring, however drastic, must be a paramount goal of our nation.

I would not say, however, that we must wait for any radical solution, or an end to the war, to find remedies. We have already started to make improvements. During the last six months, we have given out salary increases to CVN employees aggregating 40 billion piasters a year, and price increases have been small. We have come a long way toward putting into effect a mix of economic policies that will help stabilize and strengthen our economy. For example, you all know that more people are now putting their money into banks instead of converting it into foreign currency. And there has been a marked upsurge of interest on the part of both domestic and foreign investors.

During the next year we hope to accomplish still more:

- A true economic stabilization.
- A new investment law, which we hope will be attractive to foreign investors.
- A reorganization of the Industrial Development Center, and establishment of an Industrial Development Bank.
- New legal codes, replacing those left behind by the French.
- A substantially freer regime of import licensing and other foreign exchange transactions.
- Finally, we are planning a committee under the Prime Minister that will have blanket and binding authority to approve new investment projects.

On the general problem of corruption, I can say we know we must fight against it on every front if we are to make progress in other areas I have mentioned. I can assure you we will direct our energies to this end, not simply by punishing the most flagrant offenders but by developing policies that will create greater incentive for legitimate business activity.

Gentlemen, your patience and cooperation are, of course, terribly important. You few American businessmen here in Vietnam are seeing us through our time of greatest trouble. I can only hope that you will continue to help us with your presence and your confidence. I do believe that better days are ahead for all of us.

In case you miss any issue of VEN, please tell our newsboy, or leave a note at our office, or dial 90028 from 8:30 to 11:00 (ask for Mr. Lao). Thanks a lot.

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